

Message Text

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42

ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-10 EA-10 EUR-12 NEA-09 IO-10

SS-15 SP-02 L-02 H-02 NSC-05 CIAE-00 INR-07 NSAE-00

PA-02 USIA-15 PRS-01 STR-04 COME-00 AGR-10 TRSE-00

AID-05 IGA-01 OMB-01 CIEP-02 TAR-01 OIC-02 (ISO) W

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PR 181713Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0343

INFO AMEMBASSY CANBERRA

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BUJUMBURA

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY NAIROBI

AMEMBASSY MONROVIA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

AMEMBASSY COTONOU

AMEMBASSY LIBREVILLE

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AMEMBASSY ABIDJAN

AMEMBASSY TANANARIVE
AMEMBASSY LOME
AMEMBASSY PANAMA
AMEMBASSY ASUNCION
AMEMBASSY LIMA
AMEMBASSY LISBON
AMEMBASSY KIGALI
AMEMBASSY FREETOWN
AMEMBASSY DAR ES SALAAM
AMEMBASSY PORT OF SPAIN
AMEMBASSY CARACAS
AMEMBASSY KINSHASA
AMEMBASSY LAGOS
USMISSION GENEVA
USMISSION EC BRUSSELS
AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: US SUBMISSION TO WORKING GROUP ON
ON NEGOTIATION OF NEW AGREEMENT

1. US DEL TO WORKING GROUP (WG) ON NEGOTIATION OF A
NEW ICA SET FORTH SOME IDEAS AND SUGGESTIONS FOR A NEW
ICA TO THE WG IN AN ORAL PRESENTATION APRIL 15. THESE
POINTS LATER CONFIRMED IN WRITTEN COMMUNICATION TO
EXECUTIVE DIRECTOR OF ICO FOR DISTRIBUTION ALL MEMBERS.
BOTH ORAL AND WRITTEN PRESENTATIONS MADE CLEAR THAT
SUGGESTIONS ARE INTENDED AS US CONTRIBUTION TO STIMULAT-
ING DISCUSSION OF ALTERNATIVE APPROACHES TO A NEW ICA
AND ARE NOT REPEAT NOT A FIRM "TAKE IT OR LEAVE IT" US
POSITION. ON THE CONTRARY, US WELCOMED A THOROUGH
EXAMINATION OF THE CONCEPTS SUGGESTED TO DETERMINE THEIR
TECHNICAL FEASIBILITY AND IMPLICATIONS FOR THE WORLD
COFFEE ECONOMY.

2. US SUGGESTIONS ARE SUMMARIZED BELOW FOR POSTS'
BACKGROUND AND INFO. (COPIES OF SUBMISSION BEING
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POUCHED.) IT IS NOT INTENDED THAT POSTS TAKE ANY
INITIATIVES IN RAISING OR ATTEMPTING TO PROMOTE THESE
SUGGESTIONS WITH HOST GOVERNMENTS. OUR POSITION IS
FLEXIBLE AND OUR IDEAS ARE SUBJECT TO MODIFICATION AFTER
TECHNICAL REVIEW BY THE WG. IT IS ESSENTIAL THAT
TECHNICAL DISCUSSIONS AND NEGOTIATION OF A NEW ICA BE
FOCUSED IN ICO FORUM IN LONDON. POST REPORTING ON HOST
GOVERNMENT AND LOCAL PRESS REACTIONS TO THE LONDON

NEGOTIATIONS WOULD BE APPRECIATED.

3. US SUGGESTS EXPORTING COUNTRY MARKET SHARES BE ALLOCATED IN TWO PARTS: FIXED SHARES AND VARIABLE SHARES. FIXED COUNTRY SHARES, EXPRESSED IN PERCENTAGES CORRESPONDING TO ACTUAL SHARE OF EACH EXPORTING MEMBER IN EXPORTS DURING REPRESENTATIVE PERIOD SUCH AS LAST FIVE YEARS, WOULD APPLY TO 80 PERCENT OF GLOBAL ANNUAL EXPORT QUOTA. FIXED SHARES ARE FOR LIFE OF AGREEMENT. VARIABLE SHARES WOULD CORRESPOND TO EACH EXPORTING MEMBER'S PROPORTIONATE SHARE IN TOTAL VERIFIED EXPORTABLE STOCKS AT END OF THE ANNUAL COFFEE CYCLE. STOCKS WOULD BE VERIFIED ANNUALLY BY THE EXECUTIVE DIRECTOR. VARIABLE SHARES WOULD BE DETERMINED ANNUALLY AND APPLIED TO 20 PERCENT OF THE GLOBAL ANNUAL EXPORT QUOTA.

4. GLOBAL ANNUAL EXPORT QUOTAS WOULD BE ESTABLISHED ANNUALLY BY THE COFFEE COUNCIL TO MEET ANTICIPATED ANNUAL DEMAND, BASED ON A NUMBER OF CONSIDERATIONS. INDIVIDUAL COUNTRY ANNUAL QUOTAS WOULD BE DETERMINED BY APPLYING THE FORMULA FOR FIXED AND VARIABLE MARKET SHARES AS DESCRIBED ABOVE.

5. SHORTFALLS, DEFINED AS THE AMOUNT OF AN EXPORTING MEMBER'S DECLARED LACK OF COFFEE TO FULFILL ITS ANNUAL QUOTA, WOULD BE REDISTRIBUTED AMONG OTHER EXPORTING MEMBERS. IF SHORTFALLS NOT DECLARED IN FIRST SIX MONTHS OF COFFEE YEAR, ACTUAL SHORTFALLS WOULD BE

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AID-05 IGA-01 OMB-01 CIEP-02 TAR-01 OIC-02 /142 W

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P R 181713Z APR 75
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 0344
INFO AMEMBASSY CANBERRA
AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
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TREATED AS UNDERSHIPS (WITH CERTAIN EXCEPTIONS SUCH AS CASES OF FORCE MAJURE).

6. UNDERSHIPS OF ANNUAL QUOTA OTHER THAN DECLARED SHORTFALLS, WOULD BE DEDUCTED FROM A COUNTRY'S ANNUAL QUOTA IN THE FOLLOWING COFFEE YEAR (SUBJECT TO A REASONABLE MARGIN FOR ERROR) AND REDISTRIBUTED TO OTHER PRODUCING MEMBERS. TO EXTENT POSSIBLE, REDISTRIBUTION WOULD BE TO SIMILAR TYPES OF COFFEE.

7. THE COFFEE COUNCIL WOULD HAVE AUTHORITY TO ESTABLISH ANNUALLY A TARGET PRICE RANGE CONSISTENT WITH OBJECTIVES OF THE AGREEMENT (I.E. BETWEEN A FLOOR AND CEILING). THE COUNCIL WOULD BE EMPOWERED TO PROVIDE FOR AUTOMATIC ADJUSTMENTS TO ANNUAL QUOTAS BASED ON PRICE MOVEMENTS.

8. THE AGREEMENT WOULD CONTAIN FLOOR PRICE DEFINED AS A GENERAL LEVEL OF PRICES BELOW WHICH MARKET PRICES SHOULD NOT DECLINE (I.E. SIMILAR TO 1962 AND 1968 ICAS). THIS GENERAL LEVEL COULD BE REVIEWED PERIODICALLY BY THE COUNCIL AND ADJUSTED, AS APPROPRIATE, TO TAKE INTO UNCLASSIFIED

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ACCOUNT CONSUMPTION AND PRODUCTION TRENDS, STOCK LEVELS, THE INFLUENCE OF WORLD INFLATION OR DEFLATION OR OTHER FACTORS WHICH MIGHT AFFECT THE ACHIEVEMENT OF THE OBJECTIVES OF THE ICA. THE CEILING, WHICH WOULD PROBABLY BE ESTABLISHED AT A TRIGGER LEVEL OF X CENTS ABOVE THE MINIMUM, COULD BE DEFENDED BY USE OF AN INTERNATIONAL GUARANTEE STOCK OR BY SUSPENSION OF QUOTAS. THERE IS NO REALISTIC WAY TO DEFEND A FLOOR EXCEPT BY QUOTA CUTS TO RESTRICT SUPPLY.

9. THE INTERNATIONAL GUARANTEE STOCK IDEA (PREVIOUSLY SUGGESTED BY BOTH FRANCE AND BRAZIL) WOULD CONSIST OF 10 MILLION BAGS; BOUGHT FROM PRODUCERS FOR ROUGHLY \$30 PER BAG PRO RATA WITH THEIR QUOTAS. IN US VERSION IT WOULD BE FINANCED BY A TWO DOLLAR PER BAG LEVY ON EXPORTS. IGS WOULD BE RELEASED AUTOMATICALLY FOR SALE TO THE MARKET WHEN PRICES REACHED A PREDETERMINED LEVEL (X CENTS ABOVE THE MINIMUM). QUOTAS WOULD BE SUSPENDED WHEN THE IGS HAD INSUFFICIENT STOCKS TO DEFEND CEILING OR WHEN PRICES BROKE THROUGH THE CEILING FOR AN ESTABLISHED TIME PERIOD. (THE WHOLE QUESTION OF AN IGS NEEDS CONSIDERABLE TECHNICAL STUDY AND US DEL HAS PROPOSED AN AD HOC GROUP OF EXPERTS BE ESTABLISHED TO REVIEW IT.)

10. US ALSO SUGGESTS INCLUSION OF PROVISIONS SIMILAR TO 1968 ICA TO DEAL WITH PROCESSED COFFEE AND ESTABLISHMENT OF A CONTROL SYSTEM. MAJOR PROBLEM REMAINS IN DEVELOPMENT OF ACCURATE AND RELIABLE INDICATOR PRICE(S) FOR FUNCTIONING OF SYSTEM FOR AUTOMATIC ADJUSTMENT OR SUSPENSION OF QUOTAS.

11. RESUME OF REACTIONS OF OTHER MEMBERS OF WG TO US SUGGESTIONS WILL BE REPORTED SEPTEL.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, COFFEE, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON05906
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750137-0077
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750438/aaaabjpe.tel
Line Count: 288
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUL 2003 by maginmm>; APPROVED <30 JAN 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE: US SUBMISSION TO WORKING GROUP ON ON NEGOTIATION OF NEW AGREEMENT
TAGS: ETRD, EAGR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006